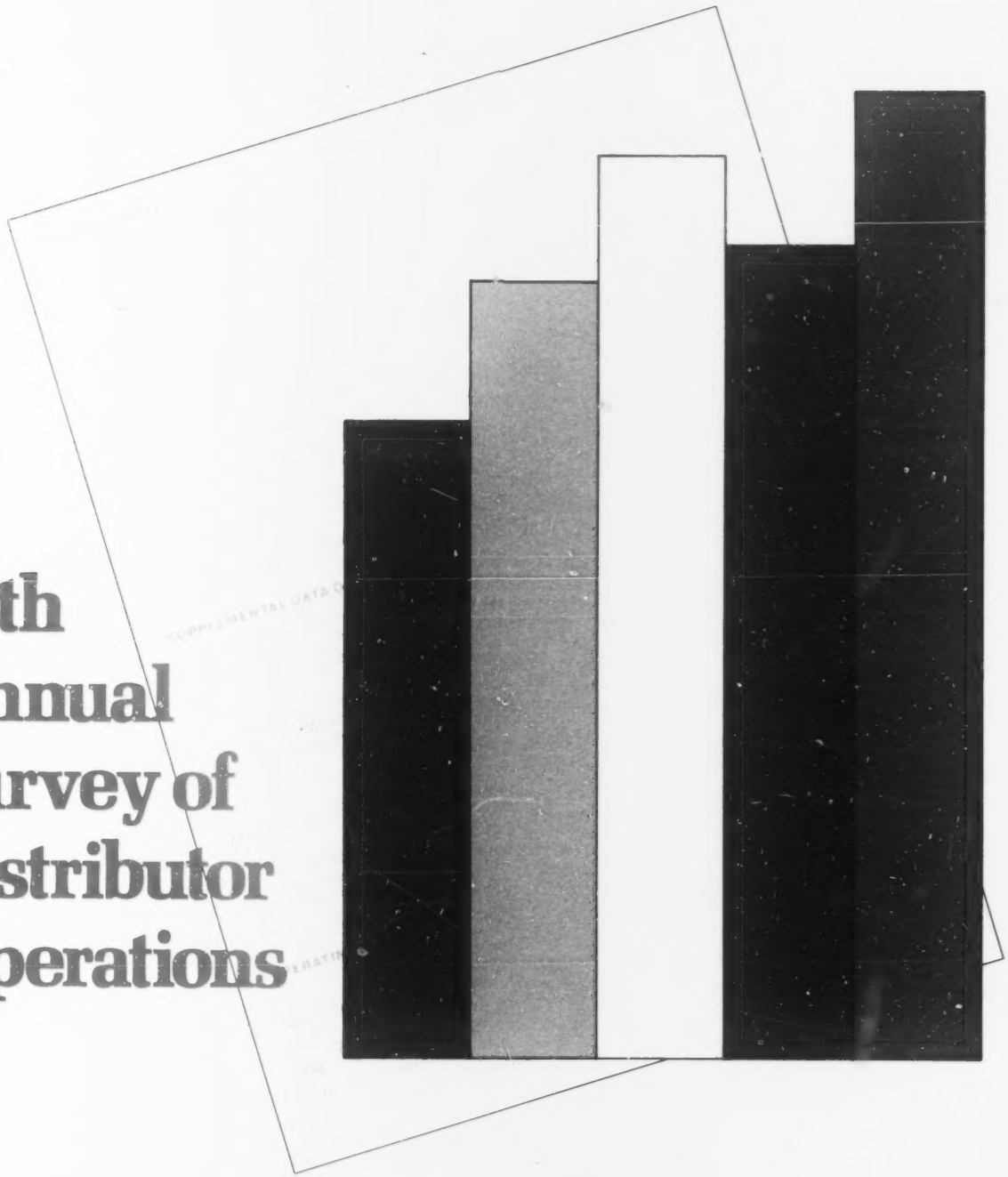
Industrial Distribution

July 1984

Hotline:
Manufacturers in U.S. slow to introduce new products



38th Annual Survey of Distributor Operations

Industrial Distribution

George J. Berkwitt, chief editor
875 Third Ave., New York, NY 10022
(212) 605-9541

Milt Ellenbogen, managing editor
Y.D. Scholar, senior editor
William F. Kelley, associate editor
Mark D. Pellis, associate editor
Rose Fritsch, assistant editor
Allen Pinto, Washington

Linda Rossi-Costa, design director

Joseph Zaccaria, circulation manager
Stanley DeForge, sales promotion mgr.
Laurie Schnepf, market research director
Lonnie Simpson, administrative asst.

Michal T. Winter, production manager
(212) 605-9637

Kerry J. Cannon, publisher

Industrial Distribution, (UPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation, John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212)605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

Postmaster: Send address changes to Industrial Distribution, Circulation Dept., P.O. Box 1063, Barrington, IL 60010.

Executive officers of Technical Publishing:
John K. Abely, President
Robert L. Dickson, Executive Vice-President
John R. Emery, Senior Vice-President
Walter Harrington, Vice-President-Finance.

Subscription: Industrial Distribution is sent on request to qualified owners, executives and salesmen of general line, specialist and combination distributor firms in the U.S. and Canada. Subscription price to others: $50 per year domestic; $90 per year Canadian and foreign. Foreign (Air Mail): $150 per year. Single copy is $6.00. The publisher reserves the right to accept or reject any subscription. Group rates, consult Publisher.

*Copyright 1984, Technical Publishing, a Division of Dun-Donnelley Publishing Corp., a Company of the Dun & Bradstreet Corporation, 1984. Title registered at U.S. Patent Office. All rights reserved including the right to reproduce the contents of this publication either in whole or in part.

Technical Publishing
a company of The Dun & Bradstreet Corporation

BPA ABP

CONTENTS

July, 1984
Vol. 73 No. 7/73rd yr.
A Technical Publishing publication

Industry News

7 Distributors are building inventory as real growth heads for a decline; Small businesses create jobs says Reagan report; STAFDA offers collection program to its members; Indicators; Field Tool Supply becomes division of Marco Holding Co.; Credit managers show concern for rising interest rates; Milwaukee Brush has purchased Advance Brushes; A.J. Rod Co. buys out Tool Supply Corp.; Political hotline: Call to action.

Cover Story

43 **38th ANNUAL SURVEY OF DISTRIBUTOR OPERATIONS**
Mixed results describe distributor business for '83 in which a strong second half failed to overcome a weak first half.

Feature Articles

54 **Hotline/Survey: Manufacturers in U.S. slow to introduce new products**

57 **Strictly for Salesmen . . . The creative salesman**

61 **D.T.C. Tool . . . Up from the ashes**

67 **ID's quarterly inflation index**

73 **Capsule Sales Concept**/Salesmanship and control

113 **ID Article Index—January to June, 1984**

Marketing/Operations Ideas

75 Promotion pays off for distributor, manufacturer; Simplify storage of long products; The higher cost of turbocharged cars; Using computers for better management; Safety aspects of compressor lubricants; Need a new warehouse? Consider these factors; Manufacturer offers computer hook-up; Four-part guide for increasing sales; Process control equipment market; Brochure explains order selection system; Flow chart for warehouse design; Find new salesmen with computer service.

Departments

9 Reader Service Card
22 Meetings
24 Readers Write
27 Washington Report
33 Like it or Not
37 Regional Report
87 We Were There
88 New Products
99 In Print
103 Appointments
107 Reader Service Card
114 Classified Advertising
115 Advertisers' Index
116 Talk of the Trade

Want extra copies? Microfilm or full-size reproductions of complete issues, or articles from this or past issues, are available at nominal cost. Write Xerox University Microfilms, Ann Arbor, MI 48109.

INDUSTRY NEWS

Distributors are building inventory as real growth heads for a decline

FALLS CHURCH, VA—Slower than expected first quarter sales have resulted in increased inventory levels, making it probable that there will be a sharp decline ahead in real growth, according to a report by Michael K. Evans, head of Evans Economics Inc., Washington, DC, and consulting economist to the American Production & Inventory Control Society. Although this inventory buildup has been relatively insignificant at the manufacturing level, those market segments that include industrial distributors have experienced an inventory rise.

Despite the sales fall-off, second quarter figures are projected to show a continued increase in inventory, the economist indicated. "Ordinarily, inventory investment continues for at least one quarter after final sales decline. Because firms usually expect strong demand to continue, they are usually slow to cut back on production and orders for inventory. Hence, the unexpected decline in sales creates unintended inventory accumulation."

According to Evans, the last four times the economy has "turned on a dime" in the past decade, inventory investment has either remained basically unchanged or has increased, but it has not decreased.

Where is the I/S ratio going?

Evans looks for GNP growth to be slowing down beginning with the second quarter. However, Evans feels that the important issue is not how much of a slowdown there is, but "whether the business community really did switch to new methods of inventory management and control when they pushed the inventory/sales (I/S) ratio down to a record peacetime low of 1.29, or whether the I/S ratio will return to its old levels, thereby negating one of the most important lessons of the Great Recession," the APICS report said.

If inventory investment follows previous historical precedence and continues to be strong for one or two more quarters, the I/S ratio would return to, if not surpass, its previous equilibrium value of 1.40, stated Evans. A lackluster growth of sales, coupled with the implicit estimate of very rapid inventory accumulation, is likely to increase the I/S ratio, which may very well be figured at 1.38 or 1.39 for midyear.

Of concern to industrial distributors is an inventory dichotomy between the manufacturing and the trade sectors, as explained by the economist. (Evans includes industrial distributors in the trade category.)

According to the APICS report, in the trade sector, the declines in the I/S ratio have been fairly modest and the current ratio is near previous average levels. On the other hand, in manufacturing, the I/S ratio has dropped sharply and is expected to remain well under control for the rest of the year.

Distributors are holding the bag

The inventory dichotomy described by Evans is consistent with recent remarks made at this year's annual Bearing Specialists Assn. convention by Donald Ratajczak, director of the Economic Forecasting Project at Georgia State University. Manufacturers are pushing products out to the distributor at the same time that retailers are postponing purchases until the very last minute, leaving distributors with the inventory and having them finance the short term assets of the system, Ratajczak had said.

In his report, Evans backed up the inventory dichotomy idea: "From 1976 through 1982 the manufacturing I/S ratio averaged 1.64 but then declined steadily to a trough of 1.40 in December 1983. It rebounded only slightly to 1.43 in February and is estimated to have remained at the same value in March. The picture for the retail sector

[continued on page 13]

Sudden changes in real GNP over the past decade

Year	Quarter	Real GNP % change	Inventory investment (constant $) (in billions)
1973	1	10.9	$16.0
	2	0.5	$15.2
1976	1	9.1	$10.0
	2	2.7	$11.3
1978	2	11.0	$18.4
	3	3.3	$13.3
1981	1	9.0	$ 3.0
	2	0.6	$ 8.9

Source: Evans Economics Inc.

Small businesses create jobs says Reagan report

WASHINGTON—According to President Reagan's recently issued annual report on the state of small business, small businesses are the leading force in job creation during both economic recession and recovery, helping to spur business upswings and moderating downturns.

The president's report was based on a survey of industries that included wholesale and retail trade (including industrial distributors), construction, transportation, communications, utilities, services, finance, insurance and real estate.

Using data from other Federal agencies and from the U.S. Small Business Administration's own small buisness data base, the report determined that "all of the 984,000 net new jobs generated in the American economy during 1981 and 1982 came from independent small businesses . . . Small business produced a total of 2,650,000 new jobs, more than offsetting the 1,666,000 jobs lost by large businesses."

The report, prepared by the SBA's Office of Advocacy, said that the Nation's 14 million small businesses employ 47.8% of the private work force, contribute 42% of national sales and 38% of the gross national product.

According to the report, 1983 was an excellent year for small business. Business bankruptcies declined 14.8% during the year and in the second half of 1983 they decline 30% compared to the same 1982 report. Also, small business income, as measured by proprietorships and partnerships, grew 18%. □

INDUSTRY NEWS...

[continued from page 7]
[industrial distributors are included by Evans in this area], however, is far different. There the I/S ratio averaged 1.41 for the 1976-1982 period, and then declined to a trough of 1.29 in January. However, it rebounded sharply to 1.35 in February and rose to 1.40, based on the available March retail sales figures. In other words, in the retail area, the I/S ratio has given up all of the ground that was saved during 1983."

Manufacturer inventories

On the manufacturing side, the report went on to state, "the sharp decline in the growth in the index of industrial production from 1.0% in February to 0.4% in March took place almost entirely in those components of production which primarily represent production for inventories. As sales plummeted in February, the production of final products also was drastically curtailed in that month, with the growth rate being cut from 1.5% to 0.6%. However, the decline in March was then very modest, falling only marginally to 0.4%. The increase in production of intermediate products and materials, on the other hand, remained unchanged from January to February, with a 1.3% increase in both months. However, this figure dropped precipitously to 0.5% in March, signalling a slower growth in inventories for the manufacturing sector."

The manufacturing sector's quick response to lowered sales is quite significant since, in the past, it has generally taken manufacturers between three to six months before they have adjusted inventory production schedules in response to significant changes in sales, according to Evans.

"While manufacturers have not captured all of the nuances of Zero inventories and Just-in-Time, it is likely that they have at least strengthened their reporting and control mechanisms to the point where the lag time between changes in sales and production has been cut at least in half," the economist said. □

Jos. O. Flatt Co. is acquired by Weiler Industries

CRESCO, NC—Weiler Industries, the parent company of Weiler Brush Co. Inc., has acquired the Jos. O. Flatt Co. of Reading, a manufacturer of maintenance brushes.

Flatt's name will be changed to Flatt Brushes Inc. and it will continue in Reading, operating as a sister company to Weiler Brush, a manufacturer of industrial power brushes.

According to Karl M. Weiler, president of Weiler Industries, this acquistion will strengthen the breadth of Weiler Brush's product line in addition to providing the Flatt company with the backing of a strong parent company. □

STAFDA offers collection program to its members

ELM GROVE, NC—The Specialty Tools & Fasteners Distributors Assn. in conjunction with the National Assn. of Wholesaler-Distributors has successfully field tested an accounts receivable management and collection program and is now offering it to its members. The program is administered by National Revenue Corp.

During its revue of NRC's services, according to STAFDA, cash flow indicators for a variety of industries were an 'vzed and it was found that the average collection period was 48 days and the annual average write-off, as a percent of sales, was .41.

Provisions of the STAFDA sponsored program will include special pricing to members, a full range of collection services based on a company's needs and consultive assistance from specialists. Control of a distributor's accounts is to stay with the distributor at all times. □

Regal-Beloit Corp. picks officers and assesses first quarter

SOUTH BELOIT, IL—Regal-Beloit Corp.'s board of directors has appointed James L. Packard chief executive officer, replacing Kenyon Y. Taylor. Taylor will continue as chairman of the board and Packard will continue as president and chief operating officer.

Taylor

Packard

Commenting on Packard's appointment, Taylor stated, "Over the past several years Jim and his young executive team have developed a sound and proven track record in managing Regal-Beloit successfully through both good times and bad. As chief executive officer, Jim will now be in a better position to continue and enhance the direction of the corporation as a highly profitable, growth oriented company."

Other officers elected by the board include: Robert C. Burress, vice president and treasurer; Henry W. Knueppel, vice president, power transmission group; Gerald J. Berres, vice president, secretary and general counsel; and Dennis M. Conerton, controller.

First quarter report

While announcing the election of its officers, the board also reported on the company's record breaking first quarter sales of $14.3 million. This was the second consecutive quarter that Regal-Beloit broke its own quarterly sales record.

First quarter sales topped 1983's final quarter by 9.0% and exceeded last year's first quarter by 55%. Profits showed a 355% increase over last year's first quarter.

The company's most improved division, from a profit standpoint, was the cutter division of the firms' Cutting Tool Group, recording increases 12 times those of the first quarter last year. According to Taylor, demand for end mill and cutter products continues to increase both in terms of large and small orders from general metalworking and aerospace customers.

While assessing future prospects, the chairman stated: "Incoming orders continue on an upward trend supported by strong markets for our products and our ability to increase market share." □

Propane torch maker acquired by Cooper

RALEIGH, NC—Turner Industries Inc., a manufacturer of propane and oxygen/propane torches for the DIY and industrial markets, has been acquired by Cooper Industries Inc. and will be operated by The Cooper Group with marketing through its regular distribution channels.

Turner Industries, originally established in 1871, maintains plant facilities in Irwindale, CA, and Sycamore, IL.

Arnold Doby has been named plant manager with headquarters at Sycamore. He was formerly group controller for The Cooper Group.

With Turner Industries, the manufacturing and distribution operations of The Cooper Group now number 10 hand tool brands, the others being Boker knives; Crescent pliers and screwdrivers; Lufkin measuring tapes and rules; Nicholson files and saws; Plumb hammers and axes; Weller

[continued on page 17]

INDUSTRY NEWS...

Indicators . . .

All but one of this month's indicators is up as the economy seems to be continuing in a positive vein. The *NIDA-SIDA Industrial distribution Index* returned to an upward track as it moved up to 132.2 in April, up 0.5 points from the previous month. Gains were registered in the eastern, up 4.7 points, and western, up 13.0 points, regions, while losses were recorded in the midwestern, down 0.5 points, and southern, down 1.6 points, regions . . . According to the *SIDA Monthly Sales Trend Report,* sales were up 11.25 points for March from the previous month. March had sales 17.01 points ahead of March, 1983. Year-to-date figures place the first quarter of 1984's sales 24.11 points ahead of last year . . . This month's only indicator to show a decline, the *ASMMA New Order Index,* dropped to 113.2 for March, down 8.1 points, or 6.7%, from the previous month . . . New machine tool sales in the U.S. by distributors rose 27.6% in March from the previous month and the current *Index* now stands at 75.4, the second highest level in 27 months, according to the American Machine Tool Distributors' Assn. The *Distributor's New Orders Trend* continued to rise, posting a 9.8% gain to stand at 60.5. This is its highest level since September, 1982. The jump in March orders was the result of sharp rises in new orders for both metal cutting and metal forming machinery. The metal cutting index increased 22.6% from February to stand at 73.1. The metal forming index rose 60.7% to stand at 90.0 . . . The *Welding Supply Index,* compiled by the National Welding Supply Assn., registered 179.3 for March, up 12.2 points, or 7.3%, from the previous month. The reading is the highest level in four years and shows a 19.4% increase over March, 1983 . . . The National Wholesale Hardward Assn.'s *Hardware Sales Index* stood at 110.7 for March and average daily sales of the Assn.'s members advanced 2.2% in March compared to February. Sales by distributors advanced 9.4% based on March, 1984 to March, 1983 comparisons. Dynamic areas in March were the western and eastern central regions with one-month gains of 9.3% and 10.7% respectively.

[continued from page 13]

Soldering equipment; Wire-Wrap connection tools; Wiss scissors and snips; and Xcelite electronic tools.

Cooper Industries is also a manufacturer of compression, drilling and energy equipment, drapery hardware and industrial and electrical products. □

Field Tool Supply becomes division of Marco Holding Co.

CHICAGO—Marco Holding Co., a company established by Mark Friefeld, has purchased the assets of Field Tool Supply Co., a cutting tool distributor. The 34-year-old company will operate as a division of Marco.

Friefeld, chief executive and operating officer of Marco, has been a vice president and acting general manager of Field Tool Supply.

"The basic successful operating, buying, selling and marketing policies that have built Field Tool into its leadership position today will be maintained," Friefeld said. The executive stated that the company will continue "to strive towards more advanced selling techniques, new product lines and improved customer services." □

Ridge Tool offers a new line of pumps, rams and accessories

ELYRIA, OH—The Ridge Tool Co., a manufacturer of hand and power tools and a subsidiary of Emerson Electric Co. of St. Louis, is expanding its industrial tool line to include new Ridgid brand hydraulic pumps, rams and accessories.

Several types of pumps are available in addition to electric/hydraulic pumps. The company is offering hand pumps that operate horizontally or vertically, available in single or two-speed models. Also there are air pumps, featuring foot pedals for hands-free operation, that operate with 40-120 p.s.i. shop air.

The Ridgid line of rams is geared towards a wide variety of industrial applications requiring single-acting, double-acting or special application rams, or multiple ram systems.

There are over 30 models of spring-return rams available including shorty, low-profile and center-hole models along with lightweight aluminum rams for special applications where easy positioning is needed. All are designed to handle working pressures up to 10,000 p.s.i. and capacities range from 5 to 100 tons with stroke lengths from 7/16 to 13-1/4 inches.

BETTER THAN PINK
BETTER THAN GREY
BETTER THAN STEEL

U.S. Government Specifications & 69 Years Experience Prove:

BLACK GRANITE IS BEST

FOR SURFACE PLATES & ACCESSORIES

A Lifetime of Precision Granite Tooling Experience Guarantees You:
- The Highest Quality Material
- The Most Reliable Service
- The Highest Profits

CALL THE EXPERTS FOR FREE CATALOGUE

metroplate®

A. OTTAVINO CORP.
80-60 PITKIN AVENUE
OZONE PARK, N.Y. 11417
(212) 848-9404

Write in No. 13

REGIONAL REPORT

April sales hold gains

After dropping nine percentage points in March from February's new high, April sales leveled off at +23%, or one percentage point higher than the March figure.

Other year-to-year comparisons show East North Central with the largest gain of 25% among the regions reporting, and Michigan as the best area gainer, up 43%. All regions and areas reporting remained in the plus column, and in double digits.

The first four months of '84 compared to '83, continue to show strong positive results. Here too, all the gains are in double digits with Michigan and Wisconsin leading the way among areas, up 38%. For the regions, East North Central was again the highest, up 30%. The weakest region was Middle Atlantic which still managed a 17% gain. The weakest area was Oregon-Washington, up 19%.

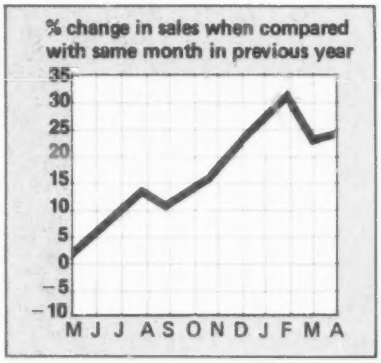
Suddenly, and surprisingly, the figures for month-to-month reporting have turned negative. As this is the best or most immediate indicator of sales trends, as opposed to sales comparisons, the probability is that sales are slowing down.

The sharpest regional drop recorded for month-to-month comparisons is West South Central, down 18%. Wisconsin is the biggest loser in area reporting, down 11%. The country as a whole is down 8%. These figures compare to all plus figures in March, where the country had a gain of 11%.

As has been the case for the past several months, receivables remain unchanged in year-to-year comparisons. □

RECEIVABLES*	April '84 Gen.	April '84 Spec.	April '83 Gen.	April '83 Spec.
New England	39	47	41	46
Middle Atlantic	44	45	42	45
South Atlantic	34	36	36	37
East North Central	40	43	38	45
East South Central	37	—	—	—
West North Central	—	40	—	37
West South Central	—	39	—	46
Mountain	—	—	—	—
Pacific	42	41	42	41
National	39	42	40	42

*Average days outstanding



Sales steady in April . . .

SALES BY REGIONS (% change)	April '84 vs March '84 Gen.	Spec.	Both	April '84 vs April '83 Gen.	Spec.	Both	1st 4 mo. '83 vs 1st 4 mo. '83 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	0	−5	−3	+21	+22	+22	+14	+25	+21
Connecticut	—	—	—	—	—	—	—	—	—
Massachusetts	−8	−4	−5	+22	+27	+25	+16	+27	+24
MIDDLE ATLANTIC: NY, NJ, PA	−12	−5	−8	−15	+24	+20	+13	+19	+17
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	−4	−9	−5	+20	+22	+21	+15	+33	+21
Pennsylvania	−12	−5	−8	+16	+34	+26	+17	+27	+23
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−6	−12	−9	+34	+17	+25	+24	+19	+22
SC, VA, WV	—	—	—	—	—	—	—	—	—
Georgia-Florida	−7	−10	−10	+18	+26	+24	+10	+23	+20
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−6	−12	−9	+32	+20	+25	+33	+28	+30
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−3	−12	−11	+20	+22	+22	+23	+43	+38
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−2	−13	−7	+37	+52	+43	+34	+42	+38
Ohio	—	−5	—	—	+41	—	—	+23	—
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−26	−5	−8	+11	+20	+18	+1	+24	+20
WEST SOUTH CENTRAL: AK, LA, OK, TX	+20	−21	−18	+25	+15	+16	—	+16	—
Texas	—	−21	—	—	+15	—	—	+16	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+7	−13	+1	+24	+12	+20	+24	+23	+24
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−2	−13	−11	+22	+3	+11	+27	+13	+19
U.S. TOTALS	−3	−1	−8	+27	+19	+23	+25	+23	+24

'83 sales short of recovery goal

Mixed results describe distributor business for '83 in which a strong second half failed to overcome a weak first half. Profits held, however, and increases in return on investment figures indicated the resumption of health for the distribution industry in '84.

Distributor sales volume for the year was down another 3% in 1983, from $43.3 billion to $42.0 billion, after falling 9.4% in 1982. The 1983 drop appears disappointing when compared to the 6% gain registered by the Federal Reserve Board's Index of Industrial Production (see graphs).

Having lagged the economic downturn in late 1981, industrial distribution has similarly lagged the recovery in 1983. For the year, sales fell for general liners 6.2%, while increasing 4% for specialists. Mixed results for before-tax net profit and after-tax net profit, as well as operating costs, are indicative of the spotty nature the recovery was in at this point. (See graphs under "Profit and Loss.")

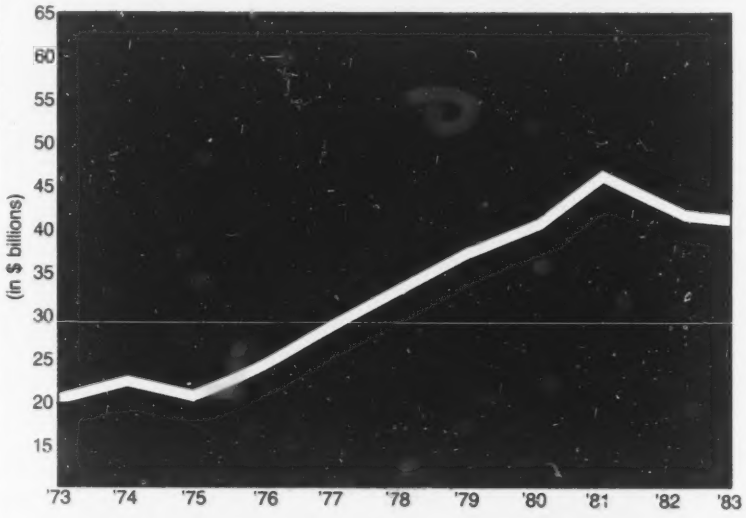
Part of the reason for last year's poor sales volume figure undoubtedly was due to the lag in capital spending. High ticket items are the last to be bought due to delayed commitments to both new plant construction and expansion of existing facilities. The caution exercised here also resulted in a weak market for original equipment manufacturing, an important customer of industrial distributors.

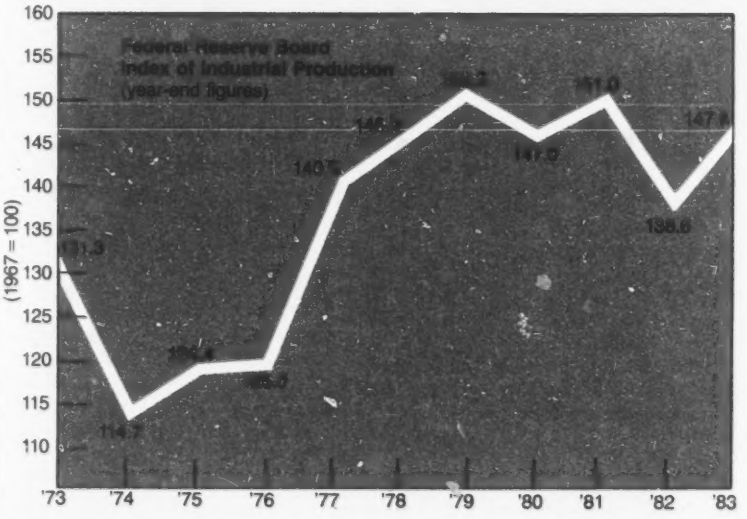
Inflation was not a factor in '83 sales, as slack demand resulted in lower prices until business picked up and prices stabilized later in the year.

'Inventory control' comes of age

With falling shelf stock sales and high monthly inventory costs taking its toll in 1982 and half of 1983, it's not surprising that distributors, after the business recovery was evident, were reluctant to once again replenish inventories. Distributor attention in '83 was focused on computer techniques which would enable them to closely monitor inventory levels. Because reordering could be done automatically at low levels, and slow moving items could be readily detected and dealt with, the need for high inventory levels of the past was eliminated. However, as to be expected, EDP expense rose: outside costs for general

Industrial Distributor Sales Trends





The year at a glance

Gross profit: general line even, specialists even
Before-tax net: general line down, specialists up
Total compensation: general line down, specialists down
Return on investment: general line up, specialists up

'84 Forecasts

Sales Forecasts for '84

Price Forecasts for '84

liners were up 13.5%; inside costs for specialists rose 6.3%. This tended to cancel out savings in other areas of operations. (See graphs under "Operating Costs.")

Optimism unanimous

With increased computer usage aiding productivity, and total compensation costs down due to reduced payroll and fringes, all distributors need for increased sales and profits in '84 is a good business climate. The result of this survey, taken in May, indicates that they unanimously believe they have it.

Distributor forecasts from around the country predict '84 sales in double figures. The highest prediction of 20% came from the North Central region; the lowest, 12%, from the South Atlantic region.

Median figures also show moderate inflation continuing at a 6% rate. Of course, this would indicate a belief in a moderate recovery, thereby tending to keep a lid on prices.

Regional differences

It was widely predicted after the business slump of '82 that certain regions of the country would not recover as fast as others, and some would not recover at all. The reasoning was based on so-called "lost" industries for which product and/or material demand would never again reach major proportions.

While it may be too early to try to determine the credence of this theory, it is interesting to compare regional differences, noting the regions quickest and slowest to recover. (See the "Condensed table for comparison and analysis" at the end of this survey.")

Medians and averages

All percentages used in this survey are medians.

*The **median** number is the number which is larger than or equal to half of the other numbers, and equal to or smaller than the other half. For example: in series 4, 4, 5, 7, 10, the median is 5. The **average** of this series is 6, computed by totaling the five numbers (30) and dividing the number of numbers (30÷5).*

The median number, then, is more representative of a group being surveyed because it will not be distorted by either extreme: very large or very small numbers.

Profit and Loss

Gross profit remained unchanged in '83, compared to '82, despite erratic sales performances for both general liners and specialists.

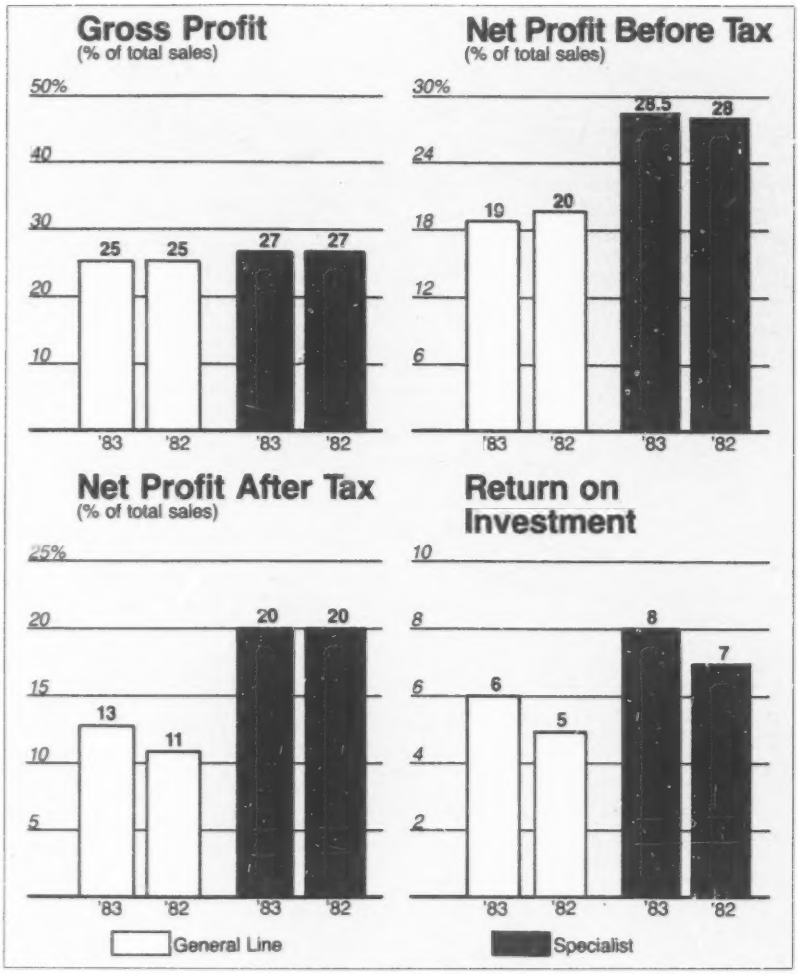
Net profit before tax was down 5% for general line distributors and up about 2% for specialists. Net profit after tax was up approximately 18% for general liners and stayed even for specialists. Return on investment, which slumped badly in '82, recovered in '83.

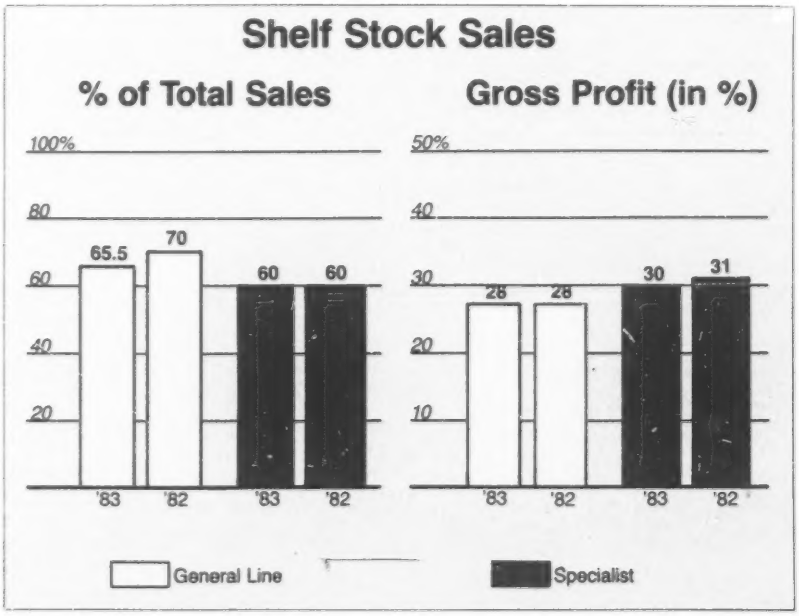
For general liners, return on investment rose 20% year-to-year, while specialists had an increase of 14%. These are significant, although not heady, figures when compared to drops of 50% and 37.5% respectively, 1982 vs. 1981.

Shelf stock sales, as a percent of total sales, fell approximately 6.5% for general liners while staying even for specialists. Shelf stock sales as a percent of gross profit remained even for general line distributors and fell about 4% for specialists.

The cost of goods sold as a percent of total sales, the reciprocal of gross profits, fell 1% in '83, or from 74% to 73% for general liners, and rose 1%, or from 71% to 72% for specialists. (These figures are not plotted graphically.)

In spite of leaner distributor operations, reduced figures for compensation and other operating expenses, sales and profits were not appreciably higher in 1983. With sales volume down, and pricing of goods remaining highly competitive, 1983 appears to have been more of a transition year than a robust one for the industrial distribution business.





Operating Costs

Unlike the prior several years, operating costs did not rise for distributors in 1983, but were unchanged. Contrary to expectation, the number of employees did not change appreciably, and although payroll and fringes declined (see Total Compensation graph under "Personnel Statistics"), other expenses rose to cancel out the net savings.

For the year, general line distributors had increased insurance costs of 1%, a drop in EDP inside costs of 9%, and a rise in EDP outside costs of 6.3%.

Specialists in '83 similarly had mixed figures: a drop in insurance costs of 20%, a rise in EDP inside costs of 13.5%, and no change in EDP outside costs.

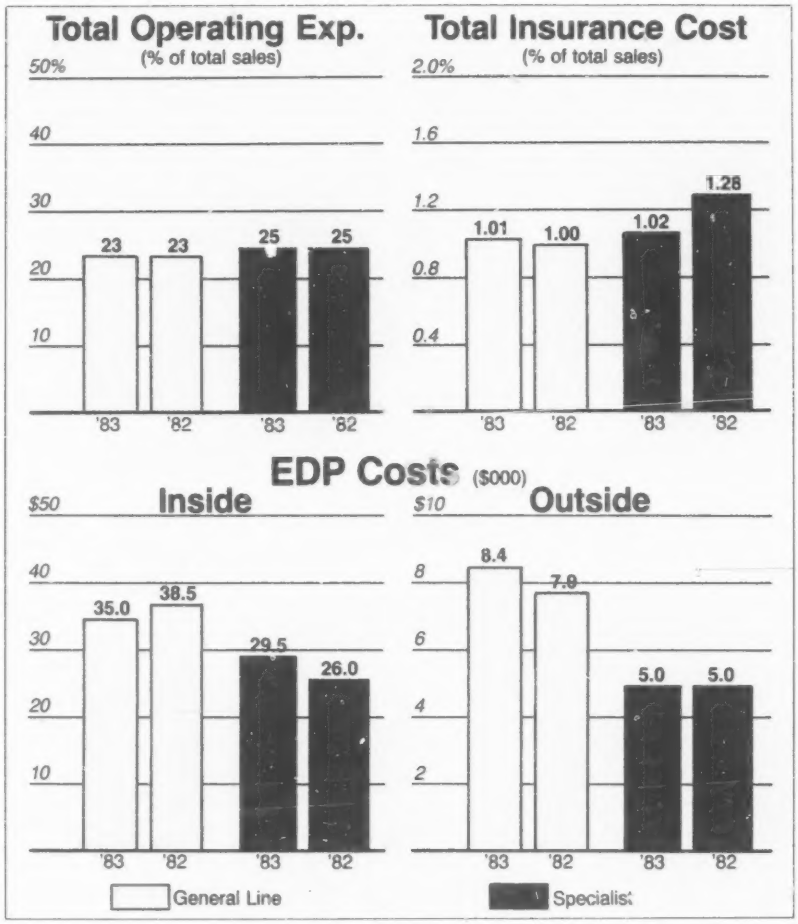
EDP costs are expected to rise across the board in 1984, as distributors are planning to further refine inventory control, along with numerous other business functions which lend themselves to computerization.

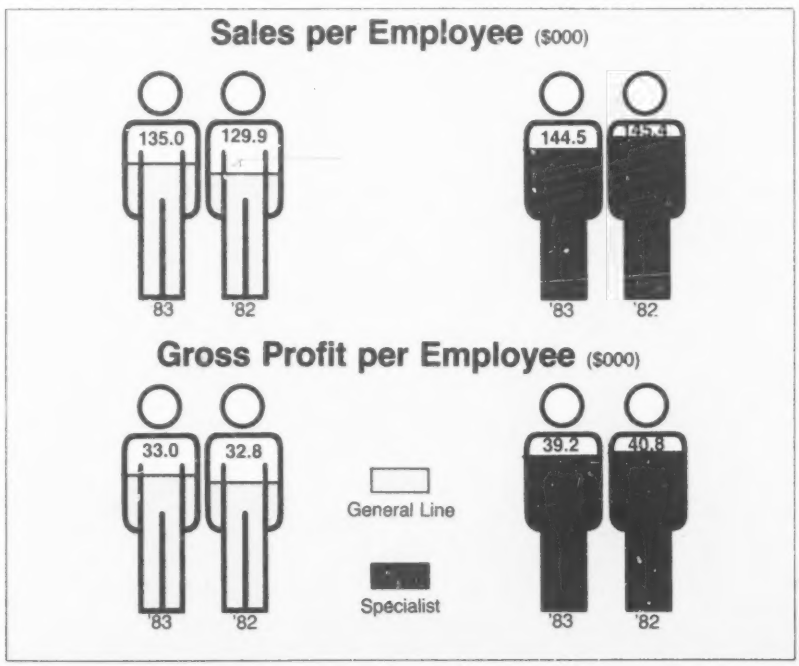
Of the general liners who are not yet computerized, 18.4% intend to do so in '84, 13.9% in '85. Of specialists in the same category, 21.6% plan on computerizing in '84, 10.6% in '85. These figures are not plotted graphically.

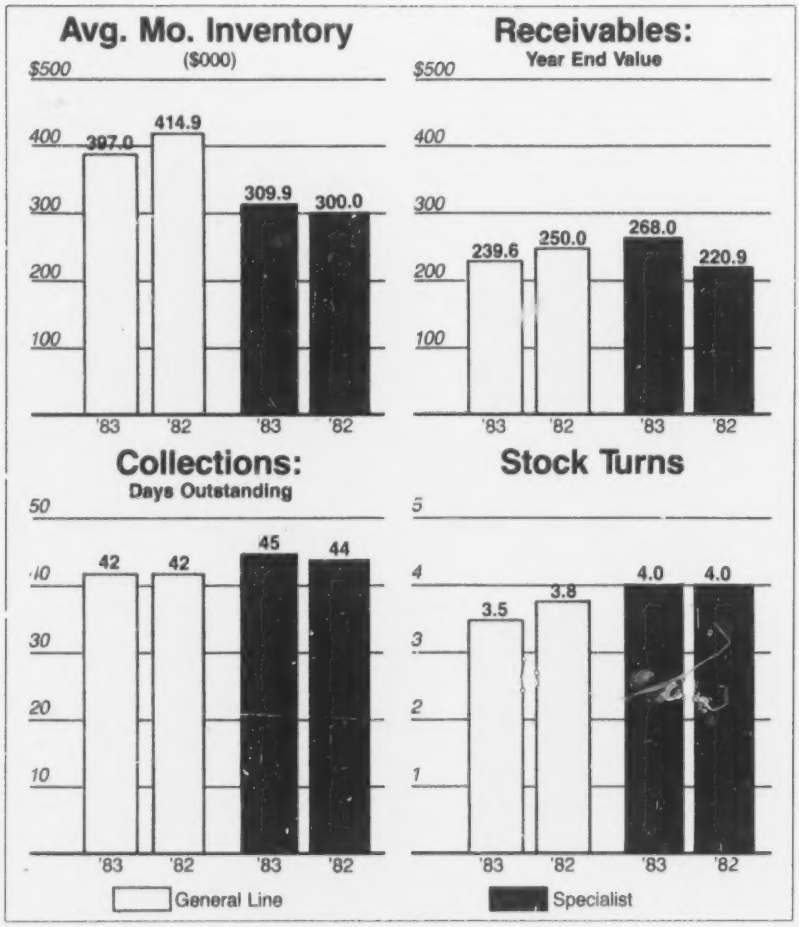
Disappointing results showed up in the sales and profit per employee figures, where tighter controls and greater productivity were expected to produce healthier ratios.

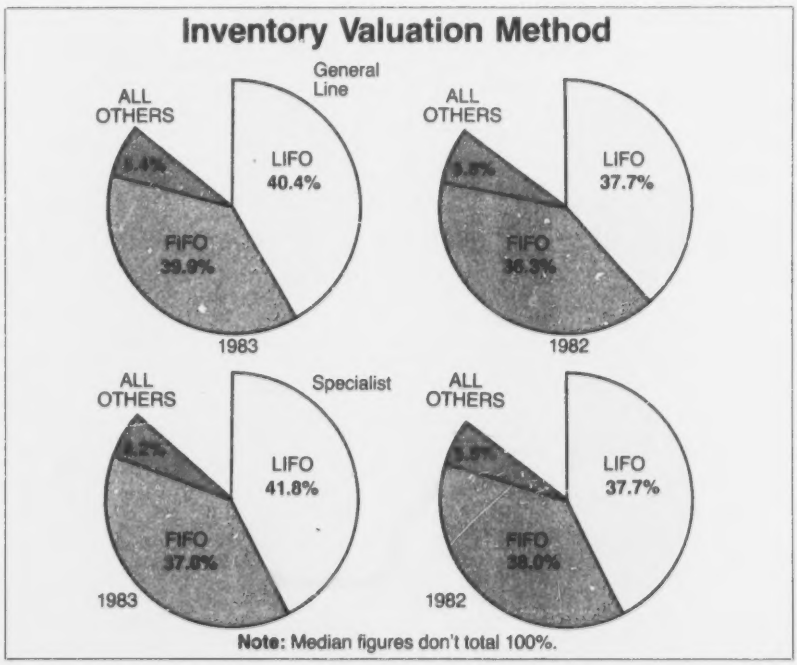
For general liners, sales/employee increased 3.9%, with gross profit/employee showing only a small increase of 0.6%.

For specialists, there was a drop in the sales/employee figure of 0.6%, and a drop in gross profit/employee of 3.9%.









Note: Median figures don't total 100%.

Inventory Data

Reflecting the late recovery in industrial distribution, stock turns failed to increase in '83 for either general liners or specialists. This is one of the few areas where both types of distributors have figures that do not disagree.

Average monthly inventory has general line distributors falling 4.3% for last year, while specialists rose 3.3%. Receivables dropped 4.2% for general liners, rose a robust 21.3% for specialists.

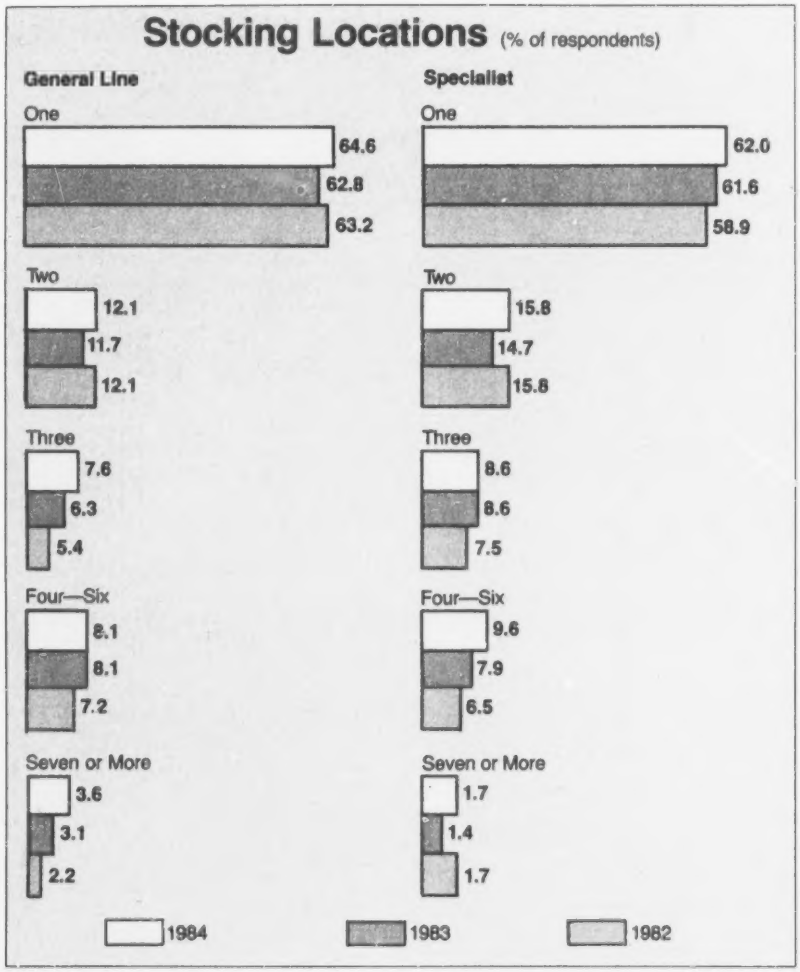
Collection figures were even for the general line distributor, and up for specialists, 2.3%. In the important category of stock turns, neither was up, with general line falling 7.8%, and specialists even on the year.

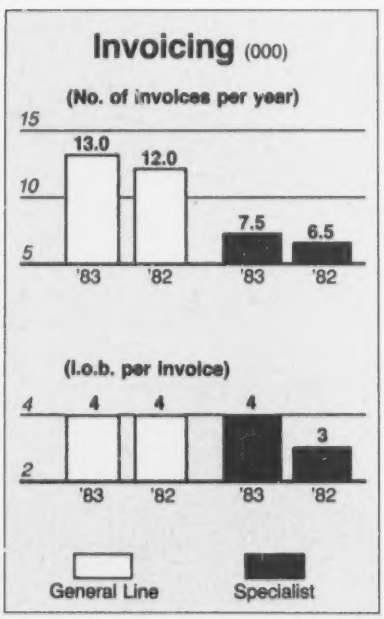
Stock turns are calculated by multiplying the percent of shelf stock sales by total sales, and dividing the result by the average monthly inventory value.

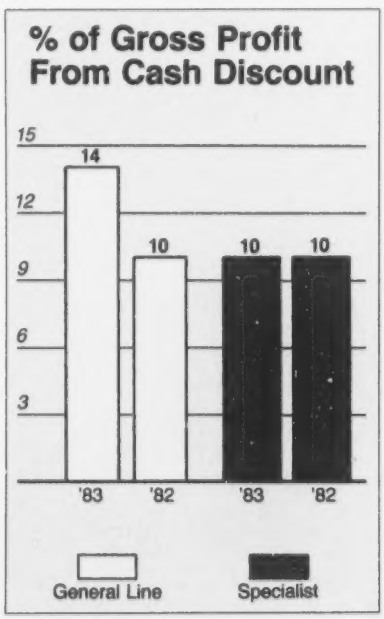
In the accounting area, both types of distributors were up for increased LIFO usage, 7.2% for general liners and 10.9% for specialists. FIFO increased 9.9% for general liners and fell 2.6% for specialists.

The move toward LIFO, although higher than last year's figures, seems to have leveled off in terms of percent increase, which is approximately the same as in last year's survey.

The "all others" category in the Inventory Valuation Method probably reflects the lower of cost or market method.







Business Trends

Distributor stocking locations did not show any declines in 1983 in any of the categories, compared to last year's figures. Indications are that a meaningful percentage of distributors will be adding branches in 1984.

In the "two" category for stocking locations (all categories include a distributor's corporate headquarters), figures indicate that branch reductions effected in 1982-83 period will be restored in 1984 by 12.1% of general liners, and 15.8% of specialists.

In the "seven or more" category, 3.6% of general line distributors, and 1.7% of specialists, plan increases.

These figures are only meaningful comparatively, that is, with respect to last year's figures, and show the degree of optimism, or pessimism, that prevails in the industry. While plans for opening branches are most probably accurate, the converse, plans for closing branches, are hard to ascertain. This is because few distributors can accurately predict this early in the year, whether or not they intend to close down a branch by the end of the year.

Invoices per year advanced 8.3% for general liners and 15.4% for specialists, with lines of billing per invoice even for general liners and up 33%, or from 3 to 4, for specialists.

Although a 40% increase for general liners in their % of Gross Profit From Cash Discounts is shown, with specialists staying even, these figures are usually "roughed in" by respondents. The reason for this is that it is difficult for distributors to accurately know at the end of the year how much of their sales came from this benefit. As more distributors utilize computers, this figure will become more accurate.

Personnel Statistics

Total compensation (payroll + fringes) fell only slightly for general line distributors, who increased personnel in '83, and fell a significant amount for specialists, who cut personnel in 1983.

The total number of full time employees advanced from 17 in '82 to 18 in '83 for general liners, who maintained a constant work force of 4 people in outside sales and 3 in inside sales, year-to-year.

Specialists trimmed personnel slightly in '83, dropping from 3.5 to 3 in outside sales while maintaining an even 2 people functioning in inside sales for '82 and '83.

Expectations for '84 indicate general line distributors will maintain their current level for sales personnel, while specialists plan an increase of 1 person for both outside and inside sales.

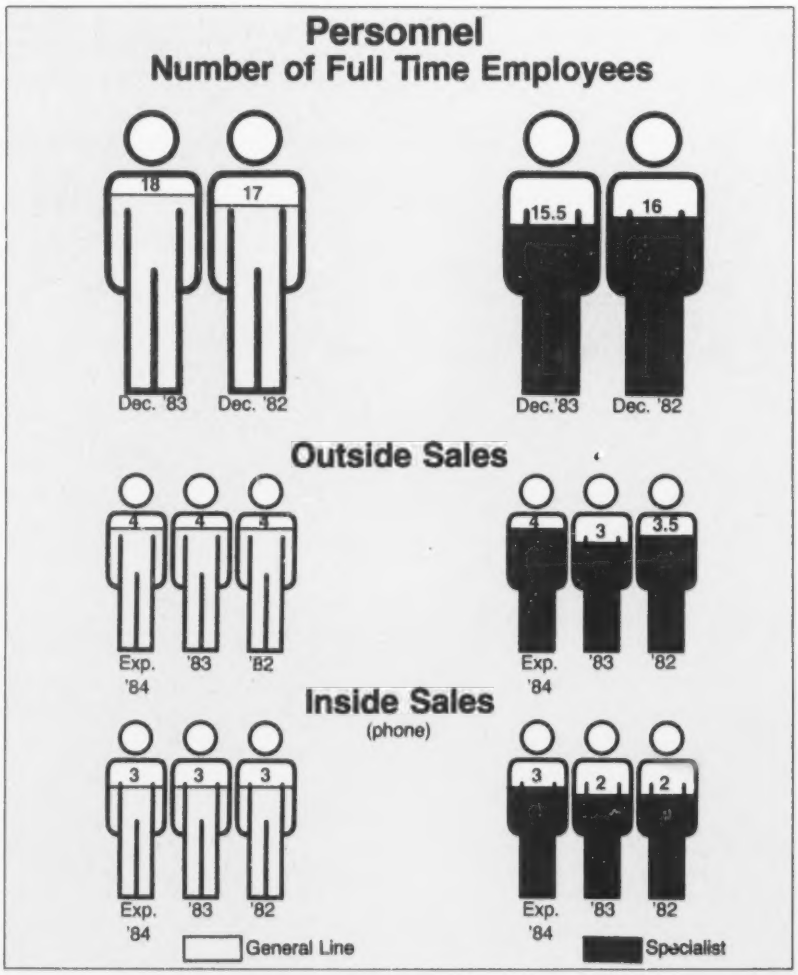
Total compensation figures have general liners' expenses dropping 0.2%, and specialists falling 6.4%.

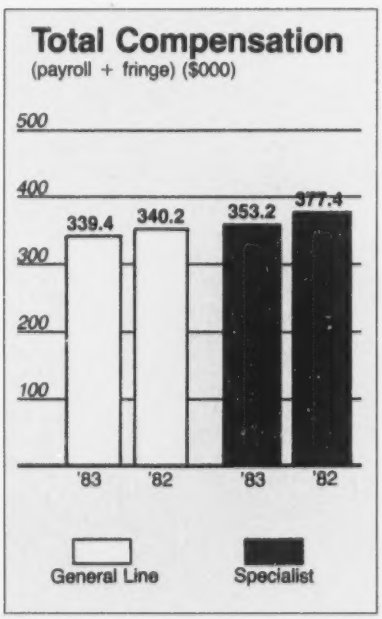
Median dollar figures for distributors in '83 were similar: $339,400 for general liners, and $353,200 for specialists.

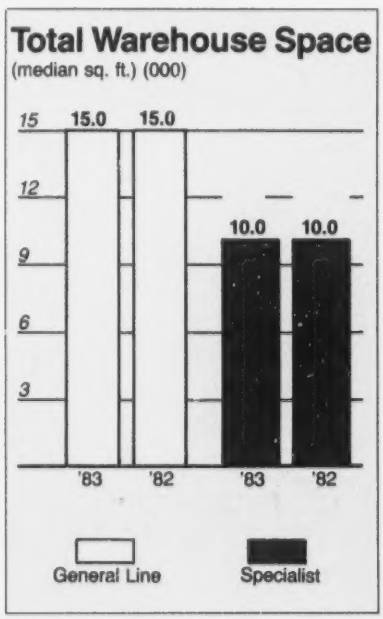
Total warehouse space remained the same for general liners (15,000 sq. ft.), and for specialists (10,000 sq. ft.), 1983 compared to 1982.

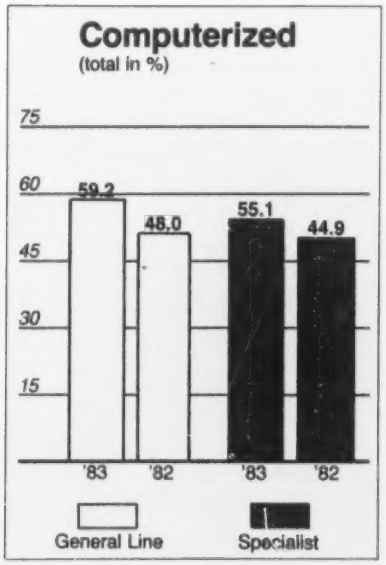
For 1984, 18.8% of the general line distributors queried plan on increasing warehouse space; 24% of specialists plan increases.

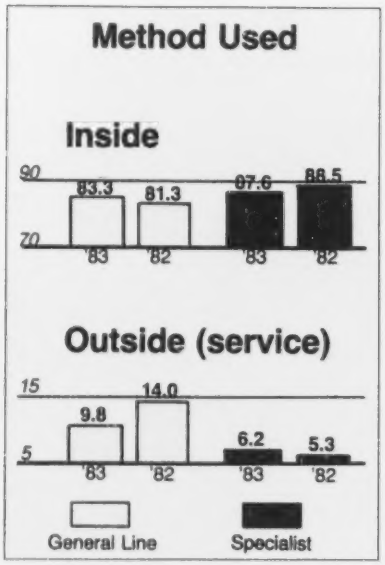
Of the general liners, 11% plan on decreasing space; 8% of the specialists plan decreases.

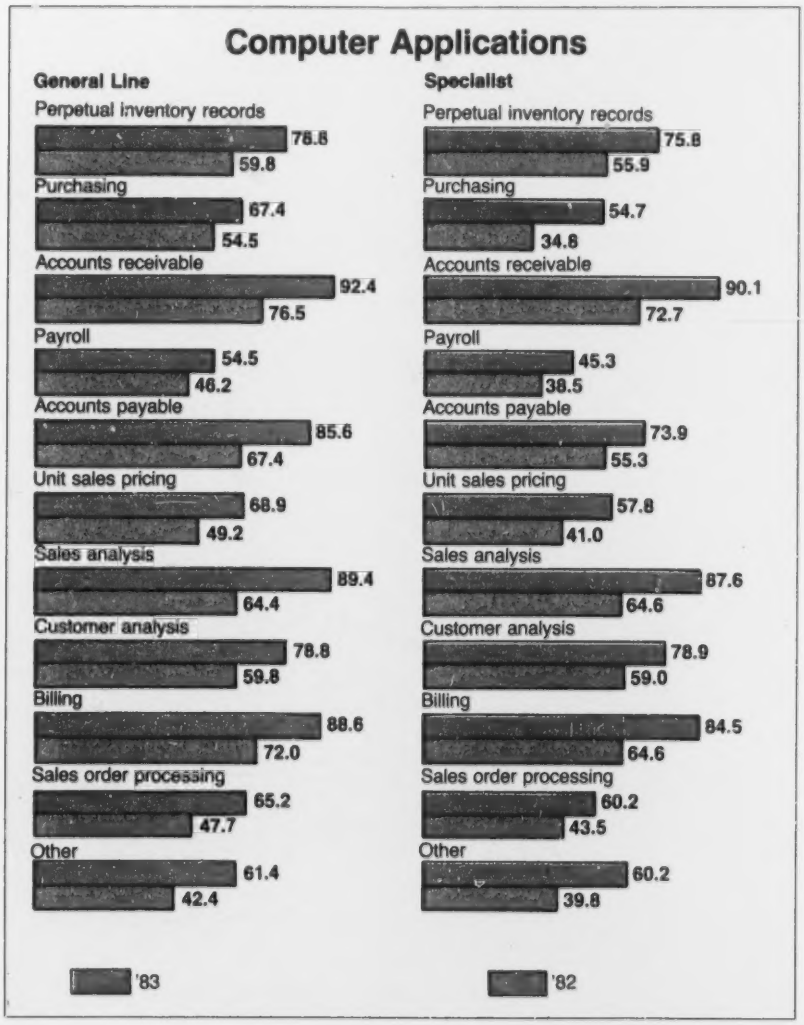












Computer Usage

The use of outside computer services for distributors continues to dwindle with the increased purchasing of in-house computer systems.

Despite differences between general line and specialist figures for "Method Used," percentage of usage for inside systems continues to gain ground. For general liners, inside usage increased 2.4% while outside usage fell 30%. For specialists, inside usage fell 1%, while outside usage increased 16.9%. The latter figures indicate specialists relied more on outside services in 1983 than did general liners. Nevertheless, the total percentage using inside systems (87.6%) is indicative of the way the distribution industry is going.

Of the inside computer users, 75.8% of general liners claim they own their own equipment in '83, as opposed to 20.5% who lease/rent. For specialists, 80.1% own, with 14.3% in the lease/rent category. These figures are not plotted graphically.

The order of usage, in percent of importance, is for general liners: (1) accounts receivable, (2) sales analysis, (3) billing, (4) accounts payable, (5) perpetual inventory records, (6) customer analysis, (7) unit sales pricing, (8) purchasing, (9) sales order processing, (10) payroll. For specialists: (1) accounts receivable, (2) sales analysis, (3) billing, (4) customer analysis, (5) perpetual inventory, (6) accounts payable, (7) sales order processing, (8) unit sales pricing, (9) purchasing, (10) payroll.

Condensed table for comparison and analysis

	National '83	National '82	Your figures	Northeast '83	Northeast '82	Your figures
Total sales ($000)	$2,117	$2,200		$2,335	$2,373	
Sales from stock (% of total sales)	60.0%	61.0%		62.5%	70.0%	
Gross profit (% of total sales)	26.0%	26.0%		28.5%	27.5%	
Total operating expenses (% of total sales)	24.0%	24.0%		28.0%	27.0%	
Net profit before tax (% of total sales)	22.0%	20.0%		22.0%	20.0%	
Net profit after tax (% of total sales)	16.0%	16.5%		16.5%	11.0%	
ROI (return on net worth)	7.0%	6.5%		10.0%	6.0%	
Sales per employee ($000)	$140.0	$139.4		$147.9	$125.0	
Gross profit per employee ($000)	$ 36.7	$ 37.0		$ 39.8	$ 37.1	
Monthly inventory value ($000)	$348.1	$350.0		$384.4	$375.3	
Receivables value as of Dec. 31 ($000)	$260.0	$233.6		$313.0	$228.5	
No. days outstanding at Dec. 31	44.0	43.0		45.0	45.0	
No. of invoices billed (000)	10.4	10.00		17.5	17.2	
No. of lines of billing per invoice	4.0	3.0		4.0	4.0	
No. of employees	16.5	16.0		22.0	21.0	
No. of outside salesmen	3.0	4.0		4.0	4.0	
No. of inside (phone and counter) salesmen	4.0	4.0		5.0	5.0	
Warehouse sq ft (000, including branches)	11.0	10.0		15.0	12.0	
No. of branch locations (avg.)	1.0	1.0		1.0	1.0	
Total compensation (avg., $000)	$346.4	$313.5		$442.2	$438.7	

	South Atlantic '83	South Atlantic '82	Your figures	North Central '83	North Central '82	Your figures
Total sales ($000)	$1,804	$1,760		$2,050	$2,050	
Sales from stock (% of total sales)	60.0%	67.5%		60.0%	60.0%	
Gross profit (% of total sales)	26.0%	25.5%		24.0%	25.0%	
Total operating expenses (% of total sales)	23.0%	23.0%		22.0%	22.0%	
Net profit before tax (% of total sales)	25.0%	20.0%		20.0%	20.0%	
Net profit after tax (% of total sales)	18.0%	16.5%		12.0%	10.0%	
ROI (return on net worth)	8.0%	8.0%		5.0%	4.0%	
Sales per employee ($000)	$139.4	$137.5		$144.7	$147.1	
Gross profit per employee ($000)	$ 35.6	$ 36.6		$ 33.7	$ 35.6	
Monthly inventory value ($000)	$290.0	$297.2		$285.0	$280.4	
Receivables value as of Dec. 31 ($000)	$193.7	$210.5		$285.5	$255.5	
No. days outstanding at Dec. 31	43.0	42.5		45.0	43.5	
No. of invoices billed (000)	7.2	6.8		6.6	6.1	
No. of lines of billing per invoice	4.0	4.0		3.0	3.0	
No. of employees	15.0	14.0		14.5	15.0	
No. of outside salesmen	3.0	3.0		4.0	4.0	
No. of inside (phone and counter) salesmen	3.0	3.0		3.0	3.0	
Warehouse sq ft (000, including branches)	10.0	10.0		10.0	10.0	
No. of branch locations (avg.)	1.0	1.0		1.0	1.0	
Total compensation (avg., $000)	$316.1	$332.8		$330.0	$330.0	

	South Central '83	South Central '82	Your figures	West '83	West '82	Your figures
Total sales ($000)	$2,676	$2,579		$2,773	$2,500	
Sales from stock (% of total sales)	60.0%	60.0%		65.5%	68.0%	
Gross profit (% of total sales)	28.5%	28.0%		29.0%	30.0%	
Total operating expenses (% of total sales)	26.0%	25.0%		27.0%	28.0%	
Net profit before tax (% of total sales)	28.0%	35.0%		26.0%	15.0%	
Net profit after tax (% of total sales)	24.5%	23.5%		18.0%	11.0%	
ROI (return on net worth)	5.0%	8.0%		10.0%	4.5%	
Sales per employee ($000)	$131.3	$126.6		$136.7	$137.7	
Gross profit per employee ($000)	$ 36.7	$ 37.2		$ 39.6	$ 38.8	
Monthly inventory value ($000)	$420.0	$350.0		$500.0	$466.0	
Receivables value as of Dec. 31 ($000)	$236.3	$206.9		$273.0	$233.0	
No. days outstanding at Dec. 31	42.0	40.5		44.0	45.0	
No. of invoices billed (000)	17.4	17.7		14.0	16.1	
No. of lines of billing per invoice	4.0	4.0		4.0	4.0	
No. of employees	22.0	20.0		20.0	20.0	
No. of outside salesmen	4.0	4.0		4.0	4.0	
No. of inside (phone and counter) salesmen	6.0	5.0		4.0	4.0	
Warehouse sq ft (000, including branches)	14.0	11.0		13.5	12.0	
No. of branch locations (avg.)	1.0	1.0		1.0	1.0	
Total compensation (avg., $000)	$413.0	$408.9		$360.6	$340.5	

Note: All figures are in medians, except where averages are specified.

ID's QUARTERLY INFLATION INDEX

For the first quarter of 1984 the *Silver/ID Index* of industrial commodities (Table 2) went up at an annual rate of 4.4%, as against 3.2% for the same quarter a year ago. For the fourth quarter of 1983, the annualized rise was only 1.2%, and the rise for the entire year of 1983 was only 2.9%. Because many vendors announce changes at the beginning of a new calendar year, projections of the first quarter usually exceed the actual rise for the year.

But this year is not likely to follow last year's pattern. NIDA/SIDA's unit sales (dollar sales adjusted for inflation) for March of 1984 are running 20.6% ahead of March, 1983, whereas March 1983 were running 20.4% below March, 1982. Since the smokestack industry is one of the last to improve in the current recovery, it is instructive to note from Table 1 that the inflation rate for the current quarter is much higher in industries directly impacted by the steep rise in housing construction. McGraw-Hill's *Electrical Marketing Index* for the first quarter is rising at a 4.8% annual rate, and the *Silver/Wholesaler Index* of plumbing and heating products rose at a 5.6% rate. These two indexes, and the *NIDA/SIDA Index*, all ran substantially higher for the single month of April 1984 (not covered in our quarterly report).

Only four of the BLS price indexes went down for this quarter. The other 29 went up. Six lines rose by 0-3%, 12 lines by 3.1-6%, and 11 lines by over 6%—all on an annualized basis.

Note that the *NIDA/SIDA Index* of 10 industrial commodities shows an annualized increase of only 2.0% for this first quarter, compared to our 4.4% for our index of 33 industrial commodities. Such short run differences are not unusual due to the sampling differences. Since the *Producers Price Index for Industrial Commodities* also shows a 414% annualized increase for this quarter, and since the April *NIDA/SIDA Index* jumped to an annualized rate of almost 7% for that month, do not be unduly concerned about this short term difference.

Beginning with this issue, we show the date of BLS revised a commodity and reduced its price index to 100.0 as a base price. As a result of such a change electric motors, which could have been at 335.0 recently changed to (1) fractional HP motors and (2) integral HP motors. When such a change is made the *BLS Price Index* starts all over again at 100. Only by showing the date of such changes can the reader know that such indexes do not purport to reflect the total inflation since the ba-

Table 1—Comparing inflation indexes

	*BLS inflation rates (%)			
	Current qtr 3/84 vs 12/83 annualized	Year-to-date 3/84 vs 12/83 annualized	3/84 vs 3/83	12/83 vs 12/82
Silver/*ID* index of 33 industrial product groups	4.4%	4.4%	3.1%	2.0%
NIDA/SIDA index of 10 industrial product groups	2.0%	2.0%	1.6%	1.7%
**PPI index of industrial commodities	4.4%	4.4%	2.7%	1.1%
Avg. of above indexes	3.6%	3.6%	2.5%	1.6%
**PPI index of finished goods (indl/agric)	6.4%	6.4%	2.9%	0.7%
Silver/Wholesaler index of 13 lines (plmgb/htng)	5.6%	5.6%	4.0%	4.0%
Electrical Marketing index of 24 product groups	4.8%	4.8%	4.4%	4.2%
***NAED inflation index: 16 product groups	6.4%	6.4%	4.9%	6.6%
Consumer Price Index	5.2%	5.2%	4.7%	3.8%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.

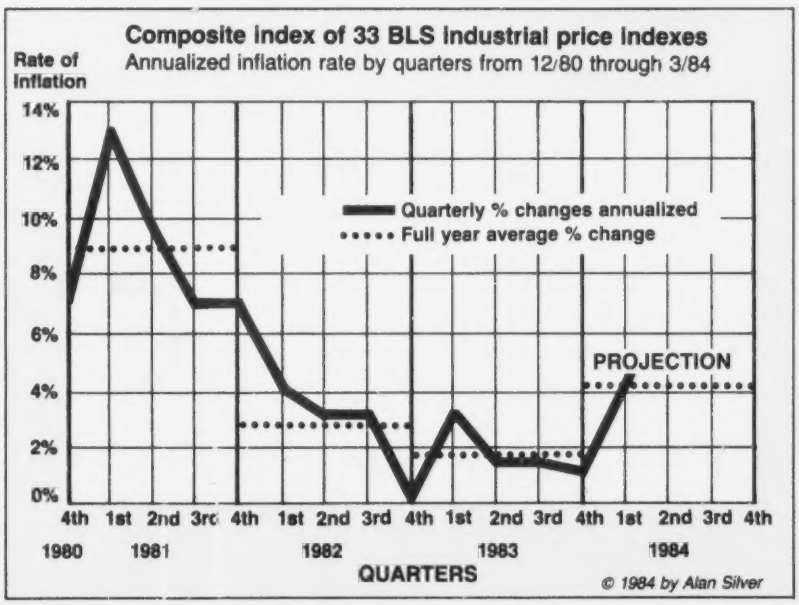


Table 2—ID quarterly inflation index (1967 = 100)

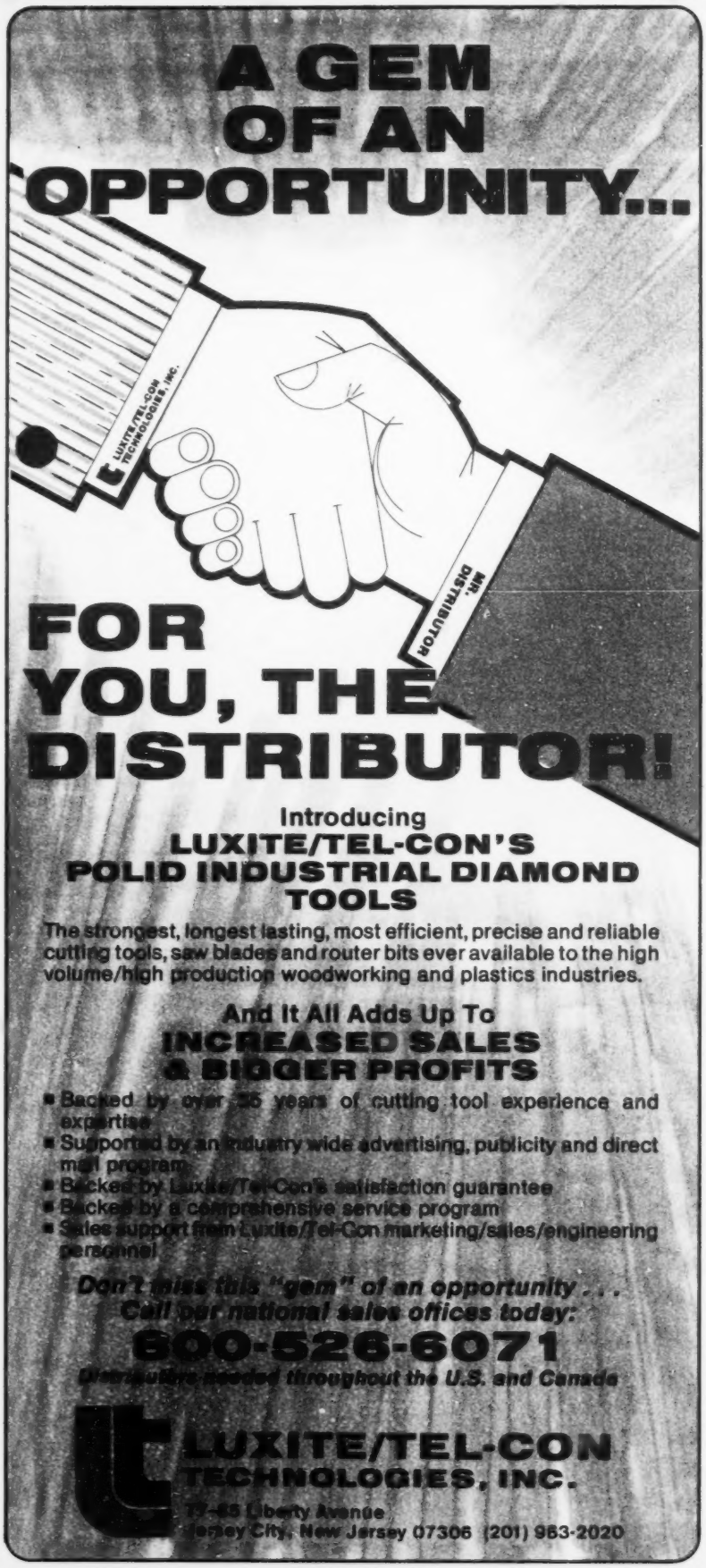
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	**Current qtr 3/84**	**Previous qtr 12/83**	**% inflation**	**Current qtr. annualized %**	**Year-to-date 3/84 vs 12/83 %**	**Year-to-date 3/84 vs 12/83 annualized %**	**Last 12 months**	**4th qtr 83**	**4th qtr 82**	**Annual inflation 83 %**
**Industrial oil	372.3	371.7	0.2	0.8	0.2	0.8	0.4	371.7	372.9	−0.3
Prepared paint	267.3	264.9	0.9	3.6	0.9	3.6	0.8	264.9	265.1	−0.1
*Rubber belts & belting	334.5	334.1	0.1	0.4	0.1	0.4	1.6	334.1	328.1	1.8
Other misc. rubber products	306.6	298.2	2.8	11.2	2.8	11.2	1.2	298.2	294.3	1.3
Plastic construction products	166.3	170.2	−2.3	−9.2	−2.3	−9.2	13.1	170.2	153.1	11.2
Semi-finished steel products	372.9	370.0	0.8	3.2	0.8	3.2	0.3	370.0	368.7	0.4
Wire & cable	204.6	201.5	1.5	6.0	1.5	6.0	−0.7	201.5	198.1	1.7
***Electric wire & cable	103.7	103.2	0.5	2.0	0.5	2.0	3.6	103.2	100.0	3.2
***Building wire & cable	103.7	104.9	−1.1	−4.4	−1.1	−4.4	7.9	104.9	100.0	4.9
Builders hardware	294.8	290.7	1.4	5.6	1.4	5.6	6.0	290.7	272.6	6.6
*Hand tools	356.0	351.0	1.4	5.6	1.4	5.6	3.3	351.0	342.1	2.6
*Misc. metal products	292.7	289.3	1.2	4.8	1.2	4.8	1.0	289.3	288.7	0.2
Industrial safety eq.	134.1	133.5	0.4	1.6	0.4	1.6	1.0	133.5	130.6	2.2
*Bolts, nuts, screws & rivets (fasteners)	274.4	271.7	1.0	4.0	1.0	4.0	2.0	271.7	270.0	0.6
*Power-drive hand tools	223.0	220.9	1.0	4.0	1.0	4.0	1.0	220.9	221.6	−0.3
Welding machines & eq.	279.0	273.2	2.1	8.4	2.1	8.4	1.8	273.2	273.1	0.04
*Cutting tools & accessories	278.3	275.8	0.9	3.6	0.9	3.6	1.8	275.8	272.1	1.4
Precision measuring tools	253.0	244.4	3.5	14.0	3.5	14.0	3.3	244.4	241.5	1.2
*Abrasive products	310.0	305.2	1.6	6.4	1.6	6.4	1.5	305.2	298.4	2.3
Metal cutting machine tools	383.6	379.3	1.1	4.4	1.1	4.4	2.4	379.3	372.7	1.8
Metal forming machine tools	421.1	422.6	−0.4	−1.6	−0.4	−1.6	1.6	422.6	411.8	2.6
Pumps, compressors & eq.	349.3	346.3	0.9	3.6	0.9	3.6	0.4	346.3	348.2	−0.5
Fluid power eq.	257.4	254.3	1.2	4.8	1.2	4.8	2.3	254.3	248.9	2.2
*Industrial material handling eq.	287.6	286.5	0.4	1.6	0.4	1.6	0.8	286.5	286.9	−0.1
*Mechanical power transmission eq.	322.9	320.4	0.8	3.2	0.8	3.2	2.7	320.4	312.0	2.7
*Metal valves, (except fluid power)	101.8	100.1	1.7	6.8	1.7	6.8	1.8	100.1	100.0	0.1
*Metal pipe fittings	106.8	103.3	3.4	13.6	3.4	13.6	6.1	103.3	100.0	3.3
Ball & roller bearings	338.8	333.2	1.7	6.8	1.7	6.8	2.3	333.2	335.3	−0.6
Plain bearings	264.7	260.0	1.8	7.2	1.8	7.2	1.5	260.0	257.0	1.2
Wiring devices	350.5	341.9	2.5	10.0	2.5	10.0	6.0	341.9	327.8	4.3
Electrical instruments	229.6	274.8	−1.6	−6.4	−1.6	−6.4	14.4	274.8	261.9	4.9
****Electric motors	104.1	100.4	3.7	14.8	3.7	14.8	—	100.4	—	5.2
Generators & generator sets	101.7	100.7	1.0	4.0	1.0	4.0	—	100.7	—	−8.0
*NIDA/SIDA composite	300.7	299.1	0.5	2.0	0.5	2.0	1.6	299.1	294.2	1.7
Silver/ID composite	294.0	290.8	1.1	4.4	1.1	4.4	3.1	290.8	286.2	2.0

*Included in NIDA/SIDA composite ** 12/73=100 *** 12/82=100 **** 6/83=100

Copyright: Alan Silver & Associates

sic period of 1967. Where no date is shown, the base period is the average price index for 1967. We follow BLS statistical procedures, so that such technical "reductions" do not affect our inflation index.

Another new feature is that we will extend the graph we started to publish at the end of 1983, so you can easily see quarterly changes in the annualized inflation rate from Jan. 1982, when this index was first published consistently, to date. Note that in Jan. 1982 the inflation rate was still at 7.0% on an annualized basis. We doubt that our industrial index will get back to that in 1984, but it can easily reach a 5% or 6% rate. And if prosperity continues, wages will start chasing prices, and prices will start chasing wages, and inflation will again per-


A GEM OF AN OPPORTUNITY...
LUXITE/TEL-CON TECHNOLOGIES, INC.
MR. DISTRIBUTOR
FOR YOU, THE DISTRIBUTOR!
Introducing
LUXITE/TEL-CON'S POLID INDUSTRIAL DIAMOND TOOLS
The strongest, longest lasting, most efficient, precise and reliable cutting tools, saw blades and router bits ever available to the high volume/high production woodworking and plastics industries.
And It All Adds Up To
INCREASED SALES & BIGGER PROFITS
■ Backed by over 35 years of cutting tool experience and expertise
■ Supported by an industry wide advertising, publicity and direct mail program
■ Backed by Luxite/Tel-Con's satisfaction guarantee
■ Backed by a comprehensive service program
■ Sales support from Luxite/Tel-Con marketing/sales/engineering personnel
Don't miss this "gem" of an opportunity . . .
Call our national sales offices today:
800-526-6071
Distributors needed throughout the U.S. and Canada
LUXITE/TEL-CON TECHNOLOGIES, INC.
77-65 Liberty Avenue
Jersey City, New Jersey 07306 (201) 963-2020
Write in No. 42

ID's INDEX

sist. The many causes of the unbroken inflation trend from 1946 to 1982 are not likely to disappear whoever is president of the United States. What's the answer? For wholesalers, LIFO (no tax on inflation)!

Inflation trend

With the improvement of business conditions, distributors are naturally concerned to see if better business will rekindle inflation. We are therefore expanding our quarterly inflation reports beyond Tables 1 and 2 to include a graph showing the trend of inflation from 1981 on.

Note that between 1981 and 1983 the average inflation rate dropped from about 9% to slightly under 2%, based on our Silver/ID Table of Inflation (Table 2), but for the first quarter of 1984 rose to about 4.2%. We project an average inflation rate of slightly over 4% for our index for 1984.

As you can see from the chart, ordinarily the inflation rate average for the year is considerably lower than a projection based only on the first quarter. This is because many vendors issue price changes in the first quarter of the calendar year. While this is also true for 1984, because we are in an upswing of the business cycle, we think the first quarter will be representative for this particular year. Wholesalers who let inventories fall when business was so drastically off are now filling the pipelines. Even if interest rates go up 2%, if inflation rises by 2% or 3% the real interest rate is the same or lower. As Table 1 shows, in electrical and plumbing, an even higher inflation rate than 4% is likely for 1984. This is due to the substantial rise in new construction.

What's wrong with forecasts?

In the *Wall Street Journal* of June 15, conservative economist Milton Friedman and liberal economist John Kenneth Galbraith forecast a rise in inflation to 10% by the end of 1984. Two days later, broad-based *Producers Price Index* for finished goods showed no inflation for the second month in a row. Friedman says the Federal Reserve Board is expanding credit too fast. Galbraith cites the large deficit. In Galbraith's *Our Affluent Society*, first published 25 years ago, a great increase in government spending was advocated with not a hint that it might lead to inflation. When the Arab states quadrupled the price of oil a decade ago, Friedman predicted the OPEC combine wouldn't last. The fact is, so many imponderables are involved in such forecasts that they have little chance of being on target.

Compiled by Alan Silver Associates, Inc., Highland Park, NJ

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, p. 3, 6, 29.